



**STATE OF WASHINGTON  
GAMBLING COMMISSION**

P.O. Box 42400 • Olympia, Washington 98504-2400 • (360) 486-3440 • TDD (360) 486-3637 • FAX (360) 486-3631

October 19, 2004

TO: Rick Day, Director  
FROM: Agency Rules Team  
SUBJECT: Request for Rule Change

---

Mr. Ronnie Strong has submitted a Petition for Rule Change on behalf of the Charitable Non-Profit Voice (CNPV). The petitioner is requesting the Commission to change the name of "Event Pull Tabs" to "Event Bingo Tickets." They are representing that the proposed rules would allow bingo operators to report income from these games as bingo income rather than pull tab income. By changing the revenue to bingo income, they may significantly reduce the amount of taxes due to various taxing authorities. The Petition was filed at the September 2004 Commission meeting, with the anticipation that staff would provide a recommendation to the Commission on how to handle the petition at the next meeting.

**History:**

Event pull tabs were authorized by the Commission in March of 2001 to be played at bingo sessions. They are a pull tab game with a flare that indicates the number of chances available, the number of chances to advance to the event round, the prizes available as instant prizes, and the prizes available at the event round. Instant prizes are tickets that match numbers or symbols on the flare and can be identified as a winner immediately upon opening the ticket. The game must be sold and completed within the same bingo session. Players purchase and open the tabs to see if they won an instant prize or an advance to the event round. The event round is a secondary element of chance where the prizes are determined based on pull tabs which match specific winning numbers drawn in a bingo game.

Some charitable/nonprofit organizations pay Unrelated Business Income Tax (UBIT) on pull tab income; however, bingo income is excluded from the tax. Also, local jurisdictions may have a gambling tax on bingo and pull tabs. The maximum tax rate for pull tabs is 10% of the net win (gross receipts less prizes paid). The maximum tax rate for bingo is 5% of the net win.

**Regulatory Concerns:**

Following are regulatory concerns staff have identified:

- 1) RCW 9.46.0205 states in part, bingo is a game in which prizes are awarded on the basis of designated numbers on a card conforming to numbers selected at random. Staff does not believe that event pull tabs meet this definition as follows:
  - a) Currently in bingo games the player purchases a bingo card and uses that card to mark the numbers randomly selected by the operator. In an event pull tab game the player

purchases a one window break open pull tab to take a chance at getting a number to advance to the event round. Only if the player gets an event round ticket do they get a chance to match the number on the card to a bingo number selected by the operator. In most event pull tab games, only 75 out of approximately 1,000 tickets advance to the event round.

- b) Event pull tab games also have a significant number of instant winners (over 100) where the player wins based on the ticket matching the flare and having nothing to do with the matching of numbers selected by the operator.
- 2) Pull tabs are controlled closely and have very specific accountability requirements. If event pull tabs are reclassified as bingo, staff would recommend that rules be drafted to address requirements that selected pull tab rules be followed for event pull tab tickets, including:
  - Deposit requirements,
  - Inventory controls,
  - Record keeping requirements,
  - Income receipting requirements,
  - Prize receipting requirements,
  - Retention requirements,
  - Manufacturing standards, and
  - The use of Washington State Identification and Inspection Services Stamps.

**Policy Consideration:**

The petitioner is requesting the Commission redefine an event pull tab as a bingo game for the sole purpose of avoiding taxes. If the petitioner believes the IRS or local taxing authorities should use a lower rate or exempt games played during bingo, perhaps they should address the issue directly with the taxing authority rather than asking the Commission to make significant changes to the WAC. The changes to the WAC could result in confusion as to which regulatory rules apply (bingo or pull tab rules), potentially decrease regulatory oversight, and may not achieve the outcome sought by the petitioner.

**Recommendation:**

The petitioner has requested that the Commission simply change the name of “event pull tab series” to “event bingo ticket” in WAC 230-30-033, and add a reference to WAC 230-20-242 Activities conducted as part of bingo games. Simply making these changes does not make an “event pull tab game” “bingo” as desired by the petitioner. Staff opposes the petition as conflicting with RCW and as incomplete.

Staff will be available to answer your questions at the Commission meeting on November 18 and 19 in Yakima.

Thank you.